

Finance Unleashed: Enabling Modern Finance with CPM 2.0 Platforms



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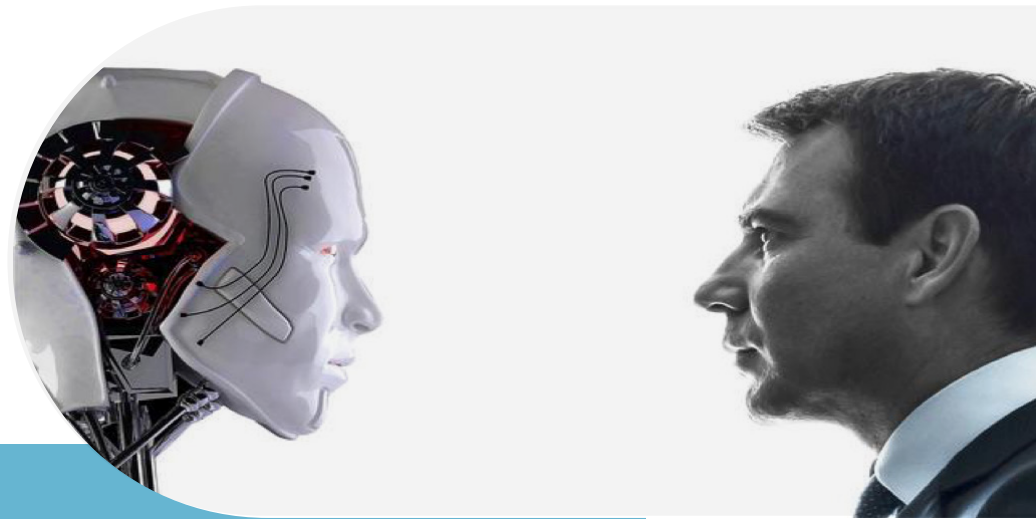
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Introduction—The Future of Finance Is Now

After a long history as back office scorekeepers, finance leaders at large and sophisticated organizations have evolved into their rightful place as strategic business partners to the CEO and line-of-business leaders. Of course, closing the books faster, providing accurate and consistent reporting or implementing an agile planning process are still core to the finance role. These are the basic building blocks of modern finance, after all. However, with so much focus and effort placed on achieving the latest quarter's forecast, it's easy to overlook the underlying trend — modern finance is evolving to a new strategic level in the organization.

Finance will always be about the numbers, but now that's become table stakes. Modern finance is about adding more value, about leveraging new technologies, about the convergence of new skill sets and new technology. It's about human intuition and machines, working together.

Like the previous transformations of finance, the next wave of finance is not a question of if — but rather a question of when your finance organization will make the leap. And for large, sophisticated organizations, the question is simple. Do you have a modern foundation in place to unleash the true power of finance? Do you understand the time, resources and effort your team actually expends every month just to deliver on the traditional basic responsibilities? If your organization hasn't yet embraced new applications and technologies, you may not be as ready as you think.

This white paper highlights the impact of digital disruption on finance organizations, how modern technology can support, and is in fact required, to the further transformation of finance. The paper outlines 5 steps organizations can take to unleash the power and talent of the finance organization to provide greater value to the broader enterprise.

Digital Disruption Is Here to Stay

Digital disruption isn't just a passing trend or future state whose impact is years away. In fact, it's here today and accelerating at an increasing pace. And while economic volatility and disruptions create short-term uncertainty; the long-term impact of digital disruption remains inevitable and significant. Consider the following trends:

- 50% of today's S&P 500 will be replaced in the next 10 years¹
- The largest taxi company in the world does not own vehicles (i.e., Uber)
- The most valuable retailer in the world has no inventory (i.e., Alibaba)

So, what does all of this mean? First, it means that new business models are emerging, and many companies will cease to exist without innovation and quickly adapting to changing business conditions. Next, the trends make it clear that digital disruption permeates throughout the entire business – from interactions with customers and vendors to supply-chain planning and execution. For finance leaders, disruption requires thinking differently and being a champion for business change.

For example, disruption may require new or different investment criteria or hurdle rates. Digital businesses may operate at higher volumes and lower profit margins that generate different levels of cash flow than the core business has traditionally delivered. If company leadership cannot confidently embrace new opportunities because they're too concerned with diluting profit margins elsewhere, innovation will be stifled.

Successful innovation requires a finance leader who appreciates the bigger picture and is willing

and able to think outside of the box. Somebody with the same passion as start-up owners fighting for their first investment round. And somebody who understands how the financial risks of strategic initiatives or investments are factored into business decisions. That's finance unleashed!

Embracing Modern Finance

While finance and accounting teams of previous decades were known as the office of "NO," modern finance is about saying "YES," but not unequivocally. Unleashing finance is about building trust by empowering the leaders of the organization with the skills and ability to evaluate opportunities and help them make more informed decisions. Only with a culture of trust will business leaders have the confidence to take educated risks.

For many finance leaders, the focus on empowering the business represents a paradigm shift. And that's OK. Why? Because modern finance leaders understand that the business must prepare for the next set of opportunities and business challenges.

As figure 1 illustrates, finance leaders are facing many new business demands in areas such as regulatory compliance, talent management, cybersecurity and changing business models. They are also facing the emergence of new technologies that can automate mundane tasks, and also facilitate more advanced decision-making. As transformative technologies mature, many CFOs are being asked a central question by their boards and CEOs: "What does all of this [new technologies] mean for our business?" Modern finance leaders must have a point of view and a thoughtful perspective on this.

¹INC Magazine



Figure 1: New Demands & New Technologies Impacting Corporate Finance

As the public face of the organization, the CFO must answer analyst and investor questions regarding data management and privacy in addition to questions on financial performance and projections. And as digital models expand, it will be the finance leaders driving transformation efforts. Who else has an end-to-end 360° understanding of how business processes or strategic initiatives impact current profit margins and future growth?

Further, new technologies will transform how finance transacts, reports and analyzes to optimize business decisions and increase controls. Some of these transformative technologies include the following:

- **Blockchain** — A real-time distributed database that tracks transactions across a network of computers.
- **Artificial Intelligence (AI)** — Systems that can learn from data ingestion and interactions, and respond to situations, including voice recognition-based smart assistants and customer service chat bots.
- **Robotic Process Automation (RPA)** — Software that can be programmed to perform repetitive tasks.
- **Machine Learning (ML)** — A branch of AI that is specifically focused on software that has decision-making capabilities based on recent experiences and past trends. It goes beyond traditional rules-based programming, leveraging statistical algorithms to learn and get smarter over time, retraining itself the more it “experiences.”

Overwhelmed by so many new technologies — and an abundance of competing priorities — some organizations end up trapped in the status quo — and do nothing. Others, in an effort to show momentum, simply look to add yet another piece of software to an already complex environment.

Digital transformation requires a strategic approach.

Digital Transformation: How to Get Started

Digital transformation is an opportunity for a fresh start – a chance to revisit the basics. What are the basics? There are two: 1) running the business and 2) managing the business.

There are applications that help run the business, and that is the role modern enterprise resource planning (ERP) systems play. The purpose of ERP systems is to create excellent operational processes by focusing on creating cost efficiencies and improving product and service speed and quality.

Corporate performance management (CPM) applications help manage the business.

They streamline finance and management processes and improve business insight and strategic decision-making. CPM applications help to do the following:

- Provide insights across systems & processes
- Increase agility through dynamic planning & reporting
- Allow financial and operational scenario modeling
- Create alignment, collaboration and consistency across the enterprise

Transformative Tech & CPM

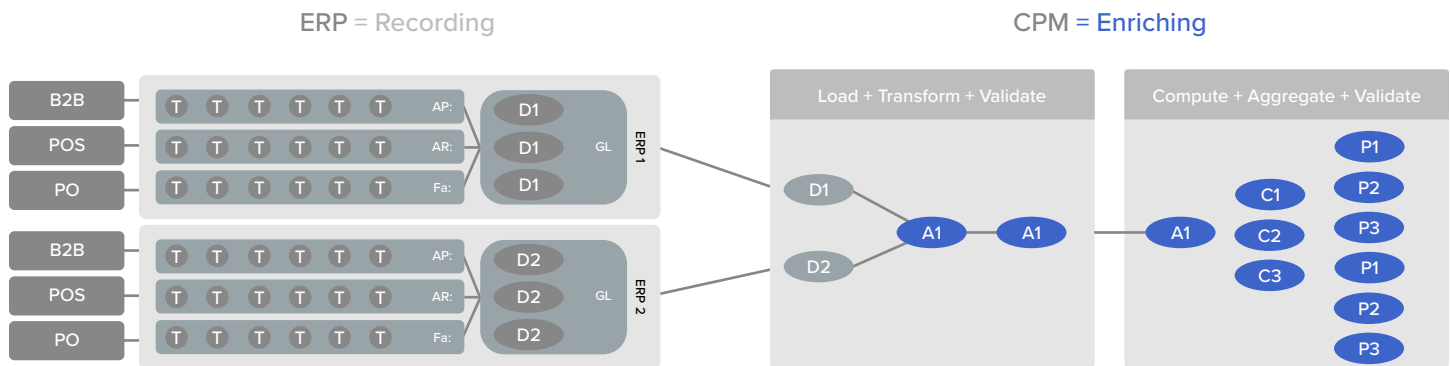


Figure 2: Transformative Tech and CPM

As figure 2 illustrates, ERP and CPM serve two distinct purposes, recording data vs. enriching data; both benefit from the transformative technologies mentioned earlier. A few examples include:

- **ML** will play a significant role in the future of CPM — enabling automated data mapping, detecting anomalies, scaling cloud resources, and adding more advanced forecasting capabilities.
- **RPA** will help ERP systems record transactions and process data — automating administrative activities associated with data entry, journal entries, validations and approvals.
- **Blockchain**, an open, distributed ledger that can record transactions between two parties efficiently and in a verifiable and permanent way brings further transparency into transactional information (e.g., in contracts), has significant potential for supply chain management and ERP systems.

Finance Unleashed: Enabling Modern Finance with CPM 2.0 Platforms

Global organizations can have several ERP systems. Different ERP systems are often used by different subsidiaries or business units. Some come through acquisitions. Large organizations may also have several customer relationship management (CRM) and human capital management (HCM) systems that interact with ERPs. Thus, for large companies, ERP transformation can span multiple years, requiring significant investment and resources from every function of the organization.

On the other hand, organizations can leverage a single CPM platform across the entire business and multiple ERP systems. By automating finance processes, CPM software has helped reduce reliance on spreadsheets, streamlined processes and has helped to enable finance transformation. In many ways, then, CPM software has signified the creation of strategic FP&A and business-partner roles in larger organizations.

However, despite billions of dollars invested into legacy CPM products, or CPM 1.0 (see figure 3), finance leaders are still held back from achieving their full potential. This is because CPM 1.0 systems are fragmented in nature adding risk, cost and complexity into critical processes.

With new business challenges on the horizon and with CPM 1.0 systems moving towards end of life — finance leaders are reaching an inflection point. In fact, recent data from EY and Accenture (see figure 4) concludes the following:

- Finance leaders want to work closer with the business on key decision and innovation
- Reliance on legacy systems and applications are leaving little time to innovate
- Despite their ambition, finance leaders are concerned they cannot meet upcoming business demands

Like other industries, the CPM industry is innovating to meet the needs of modern finance leaders.

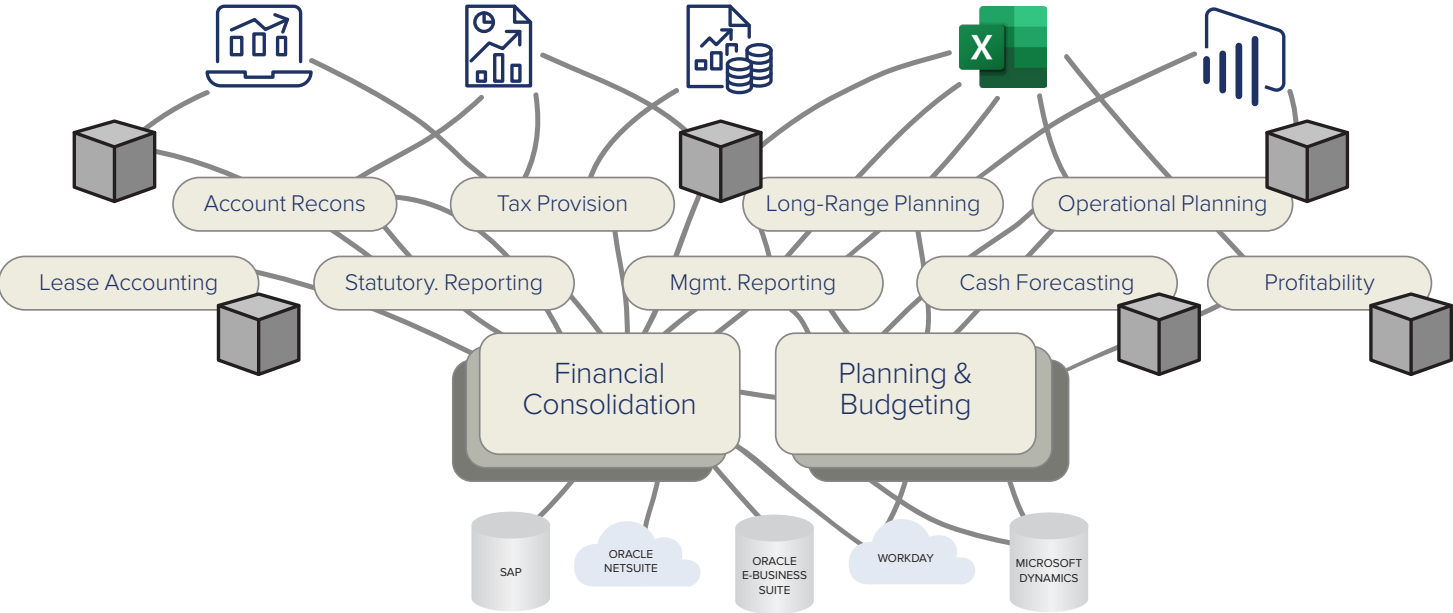
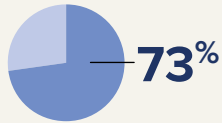


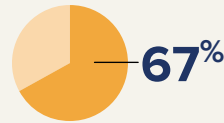
Figure 3: CPM 1.0 Applications

Finance Self-Assessment



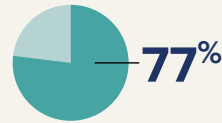
Would even change organizations to be more involved in innovation

— *Modern Finance Forum*
“*Innovation in the Finance Function 2018 Global Survey*”



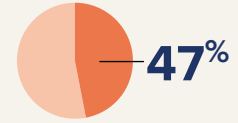
Say too many resources are tied up with legacy systems, leaving little time to innovate

— *Modern Finance Forum*
“*Innovation in the Finance Function 2018 Global Survey*”



Believe finance should be aligned in its operations alongside business partners across the wider business ecosystem

— *Accenture*
“*The CFO Imagined*”



Say the current function lacks mix of capabilities to meet demands of strategic priorities

— *E&Y* “*The Disruption of CFO’s DNA*”

Figure 4: Finance Self-Assessment

Unleashing Finance with a CPM 2.0 Platform

CPM 2.0 (see figure 5) platforms are designed to address the same business problems as CPM 1.0, but with a technical approach that addresses many of the pitfalls of CPM 1.0 solutions. This means that finance teams will have access to several key capabilities that will make them more productive. Here are a few of those capabilities:

- A unified application supporting multiple CPM processes
- Secure, scalable cloud deployment
- Integrated analytics that support both corporate and business-unit requirements
- Easy extensibility to address specific requirements in a single application

With CPM 2.0 platforms, digital transformation is moved forward by enabling finance teams to spend less time administering systems and moving data, and more time on value-added analysis, partnering with lines of business (LOB), and improving alignment and decision-making across the enterprise.

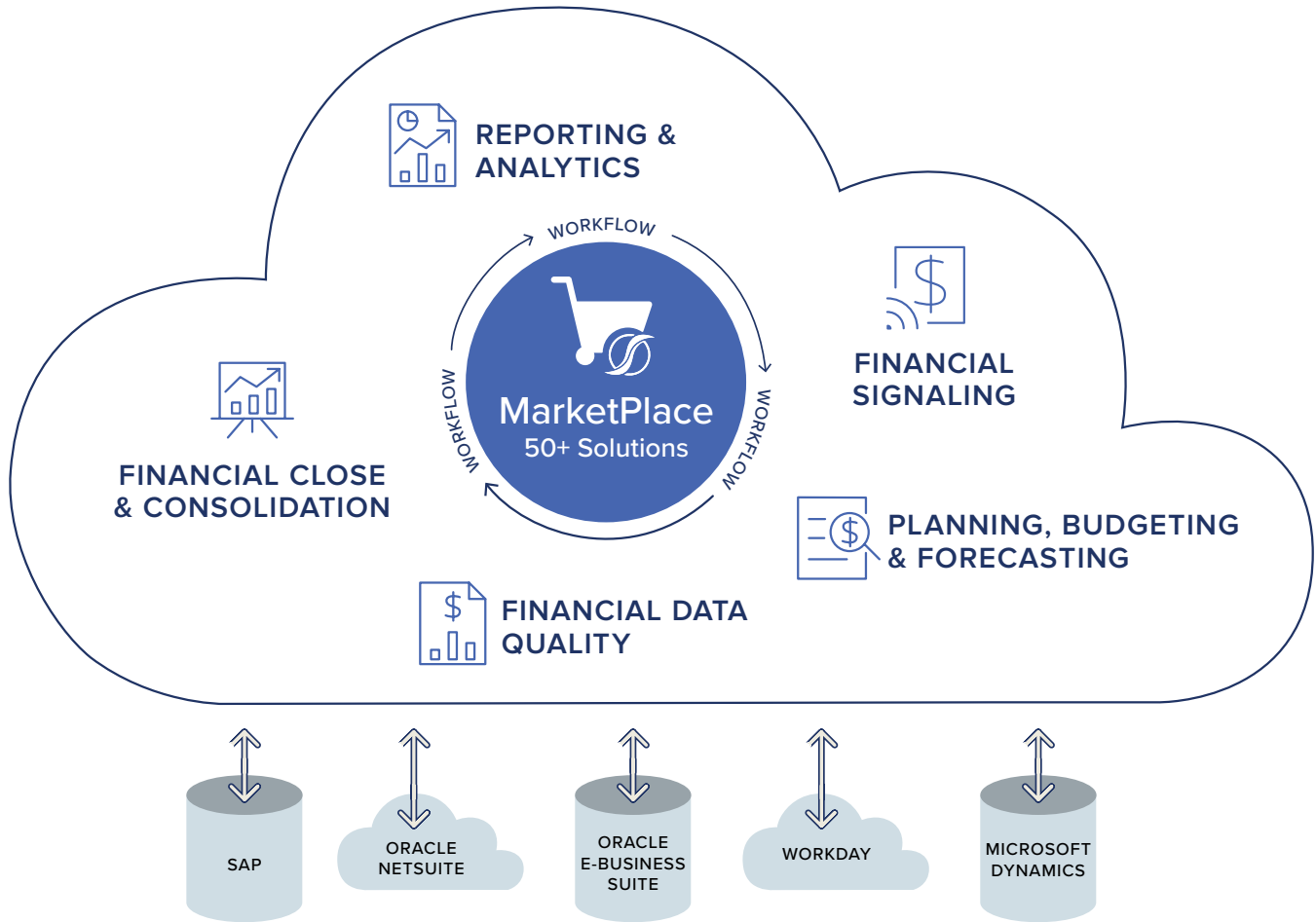


Figure 5: OneStream's Intelligent Finance Platform

5 Steps to Unleashing Finance

With a CPM 2.0 platform as a technical foundation, leaders should consider five critical steps to unleashing finance. Of course, every organization is unique so organizations should assess what steps to implement and when based on the specific needs of their business. The Five Steps to Unleashing Finance are as follows:

- 1 Know the Business
- 2 Drive Agility in Planning & Forecasting
- 3 Streamline the Financial Close
- 4 Automate Reporting
- 5 Leverage Advanced Analytics

1 Know the Business

Modern finance leaders must have a clear focus on their business partners. They must be emphatic of their needs and apply technology and business acumen to address those needs. Here are a few recommendations to consider:

- ✓ Spend more time with business partners within the LOBs and functional areas to understand their key value drivers, success metrics and KPIs. These may change based on industry (e.g., consumer goods vs. manufacturing), function (e.g., sales, marketing, customer service) and experience.
- ✓ Understand their desired outcomes, not just what they do and what they measure. There may be better ways to get there with new advancements so resist the temptation to “lift and shift.”
- ✓ Understand that effective CPM is NOT done completely by finance in isolation, nor should it be focused only on financial information and processes. Unleashing the value and power of finance across the organization requires speaking the same language, enabling the business with autonomy while maintaining a single “version of the truth” that is aligned to the financial results.

Original 12 Periods (e.g., months) Forecast												Rolling Forecast Maintains 12 Periods		
Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
1	2	3	4	5	6	7	8	9	10	11	12			
	1	2	3	4	5	6	7	8	9	10	11	12		
		1	2	3	4	5	6	7	8	9	10	11	12	
			1	2	3	4	5	6	7	8	9	10	11	12

Figure 6: The Rolling Forecast

2 Drive Agility in Planning & Forecasting

One of the most important ways to unleash finance is to maximize the time available for analysis, scenario modeling and decision making — and maximize that time by focusing on the right metrics. A few considerations to help drive agility in planning and forecasting:

- ✓ Put less focus on a 1X event, such as the annual budget.
- ✓ Incorporate planning into the DNA for the business, something the business does on a recurring basis, like implementing a rolling forecast (see figure 6).
- ✓ Create accountability and focus on the operational drivers of the business vs. purely financial data.



- ✓ Align operational drivers for sales, HR and operations with financial plans so that the organization can “speak” in the language of the business. To illustrate, let the sales team plan the way they go to market:
 - Do they plan at the opportunity level?
 - How do they plan for price increases or changes to mix?
 - Are people planning plans completed at the new-hire- or person-specific-level?
 - Can assumptions for payroll taxes and benefits be managed globally?
- ✓ Have the system calculate the financial impact of how operations plan so they don't have to. This way they can focus planning the business the way they run it and finance can see the financial impact from the same data.



3

Streamline the Financial Close

In a sophisticated global organization, every day the financial close is not complete impacts the business. FP&A cannot do their job if the financial results are not available. If business leaders do not have (and trust) final metrics, they cannot make decisions, or communicate with external stakeholders. Streamlining the financial close, then, is critical to unleashing finance.

- ✓ Eliminate risk by reducing manual movements of data, with multiple teams having their own versions of the same information. Provide clear audit trails and visibility so there is no question about accuracy and consistently throughout the close.
- ✓ Create automated data feeds and validations between source systems and CPM applications where applicable.
- ✓ Take advantage of built-in financial intelligence to handle complex financial consolidation needs:
 - Intercompany eliminations
 - Foreign currency exchange (FX)
 - Accounting for partial ownership
- ✓ Consider further automation opportunities for back-office processes, such as account reconciliations and tax provisioning during the close instead of at the end of it, to increase controls and drive productivity.

4 Automate Reporting

CPM 2.0 platforms have various types of embedded BI and reporting for executives, LOB leaders, operational reporting, and external reporting to investors and shareholders. Also, these tools can support several business needs — from basic variance analysis to financial statements, QBRs and for board-level reporting.

With a unified CPM 2.0 platform, all of these reports are available from a single data source. They must be easy enough for users to design, automate and even distribute timely and accurate reporting across the organization. Here are some additional benefits from automating reporting:

- ✓ Eliminate errors, and drive standardization by automating reporting.
- ✓ Create self-service ability to create and distribute reports among business partners. Enable users to build their own dashboards and visualizations with click-through ability for either continued or ad-hoc use (see figure 7).

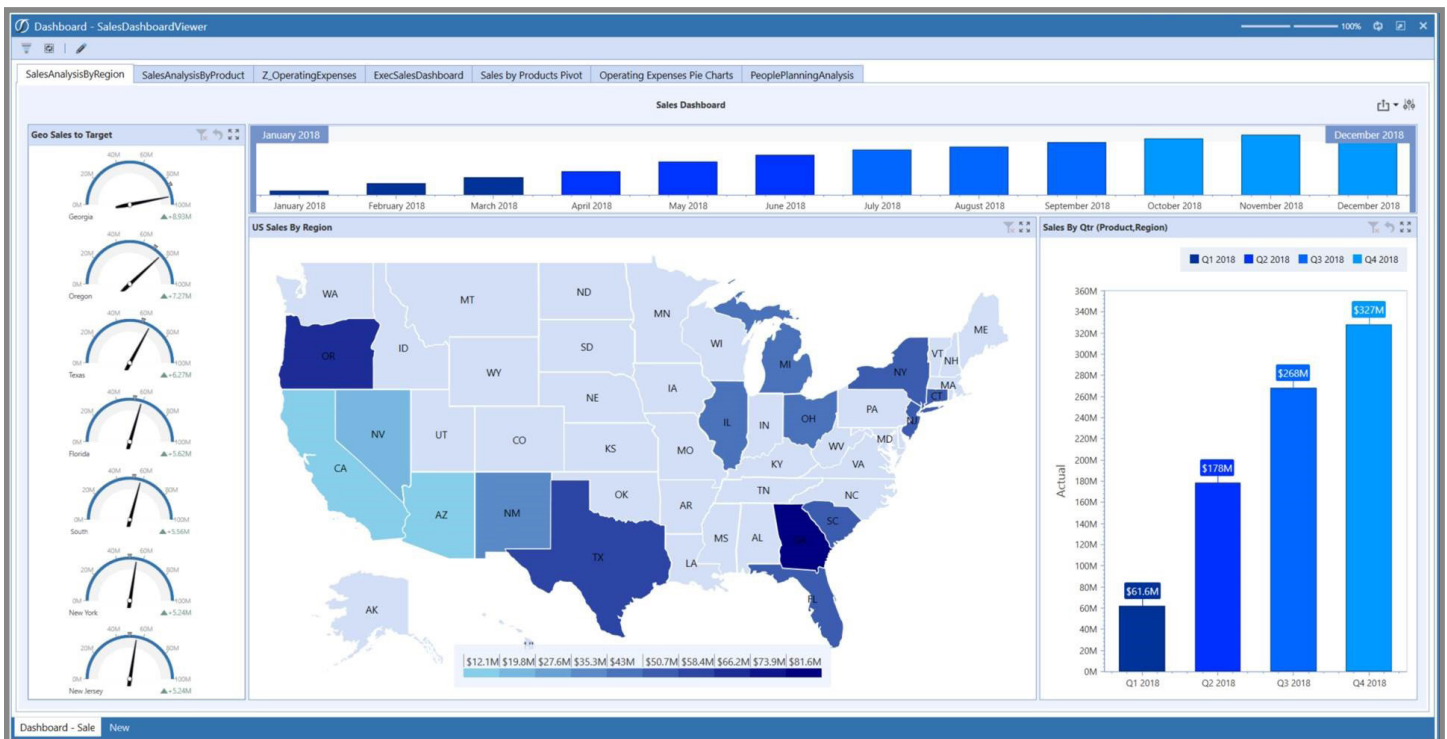


Figure 7: OneStream Dashboard

5 Leverage Advanced Analytics

Finally, after taking steps to simplify and automate critical processes, finance teams can deploy advanced analytics into the forecasting process. Here are a few suggestions to consider:

- ✓ Incorporate predictive models into demand planning and sales planning processes.
- ✓ Deploy ML models, if applicable, to provide unbiased forecast scenarios for comparison.
 - Use these models to drive dialogue with business leaders and improve forecast accuracy. Ask questions like, “Why is forecast from the sales team different from the machine or predictive forecast?”
- ✓ Leverage the CPM 2.0 platform to build forecast scenarios (e.g., low, medium, high) to understand the sensitivity to business drivers, opportunities and risk.

Importantly, remember that unleashing finance is not a one-time event. Modern finance is about evolving the DNA of the organization. Unleashing finance is about making incremental improvements in forecast accuracy, providing business insights and better controls, and ultimately building trust in the basics.

Business Impact Across Finance & Beyond

Remember, consistency builds trust. And with trust, organizations can attain the ingredients for innovation across the entire organization.

- **Evolve business acumen** — Create awareness and focus on key business drivers and financial impact. For example, Henniges Automotive, who provides automotive original equipment manufacturers (OEMs) with sealing systems, extended their CPM 2.0 investment beyond financial consolidation, reporting and forecasting. By connecting to source ERP systems, Henniges now captures SKU level data for detailed profitability analysis on products, customers and vehicles.
- **Maximize ROI on resources** — Focus resources on value creation opportunities. Eliminate mundane tasks. The Carlyle Group, a global alternative asset manager, modernized their business planning process with a CPM 2.0 solution to support various scenario modeling (e.g., zero-based budgeting), promote self-service reporting and automate the allocation process. By also replacing several legacy applications — The Carlyle Group expects to generate 36% return on their CPM 2.0 investment over 5 years.
- **Attract and retain top talent** — Inspire creativity, challenge top talent. Attract diversity and new skill sets. At Endo International, a provider of generic pharmaceuticals, CPM 2.0 solutions are saving the team time from reconciling data between systems and making it easier to create reporting. As a result, the HQ finance team is getting their nights and weekends back as there is less chaos during crunch times.
- **Drive business performance** — Increase forecast accuracy and working capital. Mitigate lost sales and maximize new business opportunities. Guardian Industries, a diversified global manufacturing company, leverages their CPM 2.0 platform for integrated business planning. By planning at the business-driver level, Guardian creates visibility and accountability on the factors that impact both operational and financial performance.

As CFOs and their leadership teams prepare for the next wave of innovation, CPM 2.0 platforms offer a foundation to unleash finance. CPM 2.0 platforms not only automate and simplify core processes, but also enable organizations to extend the solution as business needs evolve.

Modern finance leaders desire agility. They're demanding a consistent and intuitive user experience. And they're no longer satisfied

relying on IT or settling for sub-par solutions and fuzzy roadmaps from legacy vendors like Oracle and SAP. Instead, today's finance leaders are taking control of their own destinies to transform their organizations. And for large, sophisticated enterprises — with the ability to eliminate multiple applications (and associated cost) with a single solution — OneStream is the modern and proven alternative to legacy CPM 1.0 solutions.

CPM 2.0 Gets Smarter with OneStream

Over 600 global enterprises across a wide range of industries are transforming and unleashing the power of finance with OneStream Software. In fact, 75% of OneStream customers replaced legacy applications from Oracle Hyperion, SAP and IBM Cognos. A few of these customers include the following:



As a market-leading CPM 2.0 platform, OneStream's Intelligent Finance platform unleashes finance teams to focus on driving business performance. Deployed via the cloud, OneStream's unified platform enables organizations to modernize finance, replace multiple legacy applications and reduce the total cost of ownership of financial systems.

The OneStream platform can easily be extended with solutions from the OneStream MarketPlace™. More than 50 solutions are available on the OneStream MarketPlace and are in use by customers, including People Planning, Capital Planning, Cash Planning, Sales Planning, Tax Provision and Account Reconciliations.

Conclusion

Unleashing finance is a mindset. Like any strategic initiative, change does not occur overnight. While transformation requires organizations to think big — it is OK to start small. Whether the transformation journey starts with planning or financial consolidation — what is most important is for leaders to start. And with a mission and track-record of delivering 100% customer success, sophisticated organizations are placing their trust in OneStream as their digital management platform to unleash finance far into the future.

For more information, visit our website at [OneStreamSoftware.com](https://www.onestreamsoftware.com).

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